

# FISCAL NOTE

**Bill #:** SB0082

**Title:** Revise and Clarify Tax on ICF/MR

**Primary Sponsor:** J. Cobb

**Status:** As Introduced

Sponsor signature	Date	David Ewer, Budget Director	Date
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## Fiscal Summary

	<u>FY 2005 Difference</u>	<u>FY 2006 Difference</u>	<u>FY 2007 Difference</u>
<b>Expenditures:</b>			
General Fund	\$79,849	\$143,362	\$143,044
<b>Revenue:</b>			
General Fund	\$78,102	\$138,526	\$137,225
State Special Revenue	\$55,895	\$100,354	\$100,131
<b>Net Impact on General Fund Balance:</b>	(\$1,747)	(\$4,836)	(\$5,819)

- |   |  |
|---|--|
| <input type="checkbox"/> Significant Local Gov. Impact<br><input type="checkbox"/> Included in the Executive Budget<br><input type="checkbox"/> Dedicated Revenue Form Attached | <input checked="" type="checkbox"/> Technical Concerns<br><input type="checkbox"/> Significant Long-Term Impacts<br><input checked="" type="checkbox"/> Needs to be included in HB 2 |
|---|--|

## Fiscal Analysis

### ASSUMPTIONS:

#### **Department of Public Health and Human Services, Montana Developmental Center (MDC) expenses:**

- This bill increases the Intermediate Care Facility / Mental Retardation (ICF/MR) bed fee rate from five percent to six percent.
- The taxable portion of the executive budget request for MDC is \$15,969,720 in FY 2005, \$14,336,126 in FY 2006, and \$14,304,377 in FY2007.

<u>Tax Expense</u>		<u>Current Law</u>	<u>Proposed</u>	<u>Difference</u>
		<u>5% Tax</u>	<u>6% Tax</u>	
<u>Fiscal Year</u>	<u>Tax Base</u>	<u>Tax Amount</u>	<u>Tax Amount</u>	<u>Tax Amount</u>
FY 2005	15,969,720	798,486	878,335	79,849
FY 2006	14,336,126	716,806	860,168	143,362
FY 2007	14,304,377	715,219	858,263	143,044

- The estimated tax at the proposed six percent rate is six percent of the amounts in 3. above, except FY 2005, which is taxed at five percent for the first half of the year, and six percent for the rest of the year.
- The estimated tax at the current five percent rate would be five percent of the amounts in 3. above.
- The MDC expenditure increase as a result of this bill would be \$79,849 in FY 2005, \$143,362 in FY 2006, and \$143,044 in FY 2007.

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6. The tax is paid with general fund by MDC to the Department of Revenue.

### Revenues under proposed legislation:

7. When the tax is collected by the Department of Revenue, 30 percent is deposited to the general fund and 70 percent is deposited to the Prevention and Stabilization state special revenue account.
- a. General fund revenue is \$263,501 in FY 2005, \$258,050 in FY 2006, and \$257,479 in FY 2007
    - i.  $\text{FY 2005} - \$878,335 \times .30 = \$263,501$
  - b. Prevention and Stabilization Account revenue is \$614,834 in FY 2005, \$602,118 in FY 2006, and \$600,784 in FY 2007
    - i.  $\text{FY 2005} - \$878,335 \times .70 = \$614,835$
8. The general fund is reimbursed for Medicaid eligible costs (approximately 94 percent of total costs) at the Federal Medical Assistance Participation (FMAP) rate of 72.14 percent in FY 2005, 70.88 percent in FY 2006, and 70.14 in FY 2007. The total estimated federal reimbursement is \$595,613 in FY 2005, \$573,106 in FY 2006, and \$565,867 in FY 2007.
- a.  $\text{FY 2005} - \$878,335 \times .7214 \times .94 = \$595,613$
9. The estimated general fund total revenue at the six percent rate is \$859,114 in FY 2005, \$831,156 in FY 2006, and \$823,346 in FY 2007.
- a.  $\text{FY 2005} - \$263,500 + \$595,613 = \$859,114$

### Revenues under current law:

10. Tax collections made by the Department of Revenue under current law are deposited at 30 percent to the general fund and 70 percent to the Prevention and Stabilization state special revenue account.
- a. General fund revenue is \$239,546 in FY 2005, \$215,042 in FY 2006, and \$214,566 in FY 2007.
    - i.  $\text{FY 2005} - \$798,486 \times .30 = \$239,546$
  - b. Prevention and Stabilization Account revenue is \$558,940 in FY 2005, \$501,764 in FY 2006, and \$500,653 in FY 2007.
    - i.  $\text{FY 2005} - \$798,486 \times .70 = \$558,940$
11. The general fund is reimbursed for Medicaid eligible costs (approximately 94 percent of total costs) at the FMAP rates of 72.14 percent in FY 2005, 70.88 percent in FY 2006, and 70.14 percent in FY 2007. The total estimated federal reimbursement at the bed fee of 5 percent is \$541,466 in FY 2005, \$477,588 in FY 2006, and \$471,555 in FY 2007.
- a.  $\text{FY 2005} - \$798,486 \times .7214 \times .94 = \$541,466$
12. The estimated general fund total revenue at the five percent rate is \$781,012 in FY 2005, \$692,630 in FY 2006, and \$686,121 in FY 2007.
- a.  $\text{FY 2005} - \$239,546 + \$541,466 = \$781,012$

### Revenue conclusion:

13. The total estimated increase in revenue to the general fund as a result of this bill would be \$78,102 in FY 2005, \$138,526 in FY 2006, and \$137,225 in FY 2007:
14. The Prevention and Stabilization account will have an increase in revenue of \$55,895 in FY 2005, \$100,354 in FY 2006, and \$100,131 in FY 2007:

Tax Revenue	Current Law		Proposed Law		Difference	
	5% Tax		6% Tax			
	General Fund	State Special	General Fund	State Special	General Fund	State Special
FY 2005	239,546	558,940	263,501	614,835	23,955	55,895
FY 2006	215,042	501,764	258,050	602,118	43,008	100,354
FY 2007	214,566	500,653	257,479	600,784	42,913	100,131

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Reimbursement Revenue		Current Law 5% Tax		Proposed Law 6% Tax		Difference	
		General Fund	State Special	General Fund	State Special	General Fund	State Special
	FY 2005	541,466		595,613		54,147	
	FY 2006	477,588		573,106		95,518	
	FY 2007	471,555		565,867		94,312	
Total Revenue		Current Law 5% Tax		Proposed Law 6% Tax		Difference	
		General Fund	State Special	General Fund	State Special	General Fund	State Special
	FY 2005	781,012	558,940	859,114	614,835	78,102	55,895
	FY 2006	692,630	501,764	831,156	602,118	138,526	100,354
	FY 2007	686,121	500,653	823,346	600,784	137,225	100,131

## FISCAL IMPACT:

	FY 2005 <u>Difference</u>	FY 2006 <u>Difference</u>	FY 2007 <u>Difference</u>
<u>Expenditures:</u>			
Operating Expenses	\$79,849	\$143,362	\$143,044
<u>Funding of Expenditures:</u>			
General Fund (01)	\$79,849	\$143,362	\$143,044
<u>Revenues:</u>			
General Fund (01)	\$78,102	\$138,526	\$137,225
State Special Revenue (02)	\$55,895	\$100,354	\$100,131

## Net Impact to Fund Balance (Revenue minus Funding of Expenditures):

General Fund (01)	\$(1,747)	(\$4,836)	(\$5,819)
State Special Revenue (02)	\$55,895	\$100,354	\$100,131

## Technical Concerns:

The current budget contains \$798,486 in FY 2005 and \$800,000 in both years of the 2007 Biennium to pay for this fee. The appropriation increase as a result of this bill would be \$79,849 in FY 2005, \$60,168 in FY 2006, and \$58,263 in FY 2007.